

## Message Text

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44

ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 PA-03 PRS-01 USIA-15 AGR-20

INT-08 SCEM-02 STR-08 /142 R

DRAFTED BY EB/IFD/OIA:WHCOURTNEY

7/18/73 EXT. 21414

APPROVED BY EB/IFD/OIA:MCKENNEDY

EA/J:WPIEZ

----- 120270

R 181916Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

UNCLAS STATE 140870

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJ: INVESTMENT INFORMATION FOR FY 1974 FACT BOOK

REF: (A) STATE A-1975

(B) TOKYO A-333

1. DESK HAS UPDATED EMBASSY'S STATEMENT ON INVESTMENT CLIMATE, REF (B). TEXT BELOW. EMBASSY IS REQUESTED TO MAKE SPECIFIC COMMENTS OR DRAFT ALTERNATIVE STATEMENT BY COB JULY 25.
2. ON MAY 1, 1973 THE JAPANESE GOVERNMENT ANNOUNCED A NEW SYSTEM OF REGULATIONS CONTROLLING INWARD FOREIGN INVESTMENT. THE NEW RULES ARE A SUBSTANTIAL LIBERALIZATION OF THE OLD SYSTEM WHICH LIMITED MOST FOREIGN INVESTMENT TO MINORITY PARTICIPATION.
3. APPROXIMATELY 900 INVESTMENT AREAS ARE NOW OPEN TO

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100 PERCENT FOREIGN OWNERSHIP OF NEW ENTERPRISES. THERE

ARE 17 AREAS WHICH WILL BE LIBERALIZED OVER A PERIOD OF UP TO THREE YEARS. THESE INCLUDE SOME FOOD PROCESSING FIELDS, DRUGS, PHOTOGRAPHIC MATERIALS, COMPUTER SALES AND LEASING, COMPUTER SOFTWARE, PRECISION INSTRUMENTS AND REAL ESTATE.

4. FIVE FIELDS REMAIN CLOSED, UNLESS SPECIAL PERMISSION IS GRANTED. THESE ARE:

AGRICULTURE, FORESTRY AND FISHERIES  
MINING (UP TO 50 OWNERSHIP PERMITTED)  
OIL INDUSTRY (US MAJORS ALREADY HAVE IMPORTANT MIN-  
ORITY INTERESTS)  
LEATHER AND LEATHER PRODUCTS  
RETAIL TRADE (UP TO 11 STORES CARRYING FOREIGN-  
TYPE GOODS MAY BE OWNED 100 PERCENT BY FOREIGNERS)

5. EXISTING ENTERPRISES WERE FORMERLY OPEN TO FOREIGN INVESTMENT OF UP TO 10 PERCENT OF EQUITY OUTSTANDING. UNDER THE NEW RULES THERE IS NO LIMIT, BUT EXISTING OWNERS MUST GIVE THEIR APPROVAL FOR FOREIGN PURCHASE OF EQUITY.

6. HOW THESE NEW RULES WORK IN PRACTICE HAS NOT YET BEEN FULLY TESTED, BUT THERE IS NO DOUBT THAT THEY AMOUNT TO A SUBSTANTIAL CHANGE IN TRADITIONAL JAPANESE PRACTICE. THE PROCESS OF MOVING AN APPLICATION FOR DIRECT FOREIGN INVESTMENT THROUGH THE BUREAUCRACY CAN BE TEDIOUS. ADMINISTRATIVE GUIDANCE, THE PRACTICE OF THE JAPANESE GOVERNMENT OF GIVING DIRECTION TO ENTERPRISES, HAS RECEIVED MUCH ATTENTION. WHILE THE PRACTICE STILL EXISTS, IT IS MUCH LESS A PROBLEM TODAY THAN IT WAS. IN SUM, WHILE THE JAPANESE GOVERNMENT IS MAKING IT EASIER FOR FOREIGNERS TO PARTICIPATE IN THE JAPANESE ECONOMY, IT IS NOT ACTIVELY ENCOURAGING FOREIGN INVESTMENT. RUSH

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